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Airline's \$39 Fare for \$44 Reaps Fine as Obama Penalties Climb

By John Hughes - Oct 7, 2010

[AirTran Airways](#) paid a U.S. fine for promoting \$39 fares that cost \$44. [Delta Air Lines](#) was penalized for not disclosing fees in fare ads. Continental Airlines gave money for underreporting complaints from disabled passengers.

That was in May alone. President [Barack Obama](#)'s Transportation Department has almost doubled fines on the aviation industry since taking office from the final two years of [George W. Bush](#)'s presidency, federal data show.

The [administration](#) has faulted airline actions from bumping passengers to flawed plane inspections. The growing fines weigh on carriers working to contain costs after reporting their first collective profit in 2 1/2 years in the second quarter, according to [Kenneth Quinn](#), a former general counsel with the Federal Aviation Administration.

"The pendulum has swung pretty hard," said Quinn, a partner with [Pillsbury Winthrop Shaw Pittman LLP](#) in Washington. "Multimillion-dollar fines can negate a good quarter."

The [Transportation Department](#)'s aviation enforcement office, which oversees advertising, passenger rights and disclosure of data on carrier performance, has levied \$4.77 million in penalties since Obama took office, an 84 percent jump from \$2.59 million in 2007-2008, according to department data.

Separately, the Federal Aviation Administration, the department's unit that regulates safety, proposed \$77.4 million in fines in the 12 months ended Sept. 30, Obama's first full fiscal year in office. That is up 66 percent from \$46.7 million Bush proposed for the year ended Sept. 30, 2008, FAA data shows. Most cases involving FAA fines proposed under Obama are pending.

'Punitive Approach'

The Obama administration's more confrontational approach endangers a tradition of cooperative efforts by the government and airlines to track down and fix safety defects, said [James May](#), president of the [Air Transport Association](#), a Washington trade group for airlines.

"I'm concerned the foundation of the world's best aviation-safety record, built on a cooperative spirit, is being replaced by an enforcement-oriented, punitive approach," May said in an interview.

Among the group's members are [United Continental Holdings Inc.](#), [Delta Air Lines Inc.](#), [AMR Corp.](#)'s American Airlines and [Southwest Airlines Co.](#) All four carriers referred requests for comment to the association.

The carriers' complaints echo those of business leaders in other industries who have said Obama is too aggressive on taxes and regulation. "This administration has not been friendly to business," [Jack Welch](#), former chief executive officer of [General Electric Co.](#), said Oct. 5 on Bloomberg Television.

Blizzard Sale

[AirTran Holdings Inc.](#), based in Orlando, Florida, paid a \$20,000 fine in May after promoting one-way fares as low as \$39 in a "Leave the Blizzard Behind Sale" news release. "The lowest available fare for the sale was \$44," the Transportation Department said in an order.

Atlanta-based [Delta](#) paid \$40,000 for failing to display taxes and fees for fares on its Web site, the department found. Continental paid \$100,000 for treating multiple complaints by individuals with disabilities as a single grievance for reporting purposes.

AirTran told the department a mistake was made in the drafting of the "blizzard" press release. Delta said it complied with rules by using an asterisk and link to spell out taxes and fees. Continental, which has since become a unit of Chicago-based United Continental, said it didn't intend to code complaints in a way that it later understood to be inconsistent with guidance.

Consumer Rights

"We are definitely focused on the rights of consumers," Transportation Department General Counsel [Robert Rivkin](#) said in an interview. "This is a specific set of issues that we just feel really strongly about."

Democrats complained of inaction under Bush. House Transportation and Infrastructure Committee Chairman [James Oberstar](#) of Minnesota faulted the FAA in 2008 for "a carrier-favorable, cozy relationship" after his panel found Dallas-based Southwest missed certain inspections of [Boeing Co.](#) 737s.

Two federal reports in 2010 also found lax FAA maintenance oversight in recent years at Fort Worth, Texas-based American and at Northwest Airlines, now part of Delta.

Since Obama took office, agency figures show employment in the Transportation Department's aviation enforcement office rose 50 percent, to 45 people. FAA data show a 6 percent increase in inspectors to 4,384 this year from Bush's final year.

"This administration is simply doing its job," said [Kevin Mitchell](#), chairman of the Radnor, Pennsylvania-based Business Travel Coalition, a group of corporate travel managers. "The days of stonewalling and too-cozy relationships are over."

Record FAA Fine

The FAA proposed a record \$24.2 million fine against American in August for alleged maintenance flaws that grounded a fleet of Boeing Co. MD-80s in 2008. American is appealing.

[Southwest](#) is due to finish paying by Jan. 15 a \$7.5 million fine, the largest collected against a carrier, for the non- inspections. Southwest's first-quarter profit was \$11 million.

While stepping up enforcement, the administration has continued to collaborate with industry on safety. Programs such as the Aviation Safety Action Program, which lets pilots report flaws without fear of reprisal, have been credited by safety proponents as helping to cut the accident rate.

Collaboration's Limit

"This collaborative approach to safety, which is really very valuable, has limits," [Peter Goelz](#), a senior vice president at O'Neill & Associates in Washington and a former managing director of the National Transportation Safety Board, said in an interview. "Egregious affronts need to be dealt with from a regulatory viewpoint. The new administration has done the right thing."

Some punishments go too far, the airline trade association said. United Continental's United Airlines was fined \$12,000 on Sept. 21 for submitting inaccurate on-time data, which "wasted valuable department resources," according to an order. May, of the Air Transport Association, said United thought it was sending information "in the best spirit of the law."

[Mercy Flights Inc.](#), a nonprofit firm in Medford, Oregon, that provides air ambulance services, was fined \$30,000 in June for saying on its website that it operates a helicopter, when it actually contracts with another company for use of the aircraft. The mistake was simply that the company referred to it as "our" helicopter, said Representative [Greg Walden](#), an Oregon Republican.

The penalty had nothing to do with safety and was "complete bureaucratic overkill," Walden said in an interview. "The stupidity of the fine is baffling."

Republicans will hold a hearing on the issue should they gain control of the House in the November elections, he said.

To contact the reporter on this story: [John Hughes](#) in Washington at jhughes5@bloomberg.net.

To contact the editor responsible for this story Larry Liebert at or lliebert@bloomberg.net.

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